



Annual Financial Statements

FOR THE YEAR ENDED

30 June 2019

Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the year ended 30 June 2019

General Information

Legal form of entity	Local Municipality
Municipal demarcation code	KZN 238
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms T Hadebe
Speaker	Mr T W Ngubane
Chief Whip	Mr T B Njapha
Member of the Executive Committee	Mrs N A Khanyile
	Mr L S Madinane
	Mr A Mchunu
	Ms S Z P Msibi
	Mr S Simelane
	Mr M R Suddaby
	Mr A S D Warasally
Accounting Officer	Ms S S Ngiba
Chief Financial Officer	Mr M Hloba
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 E-mail: mm@alfredduma.gov.za
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General of South Africa

Alfred Duma Local Municipality

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Annual Financial Statements for the year ended 30 June 2019

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ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CSC	Community Service Centre
DOHS	Department of Human Settlements
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDTG	Municipal Demarcation Transition Grant
MFMA	Municipal Finance Management Act
MHOA	Municipal Housing Operating Account
NER	National Electricity Regulator
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
VAT	Value Added Taxation

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and are given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable assurance, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The annual financial statements are prepared on the basis that the municipality is a going concern and that the Alfred Duma Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The annual financial statements set out on pages 2 to 64, which have been prepared on the going concern basis, were approved by the Accounting Officer on 30 August 2019.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 31 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Accounting Officer
Ms S S Ngiba

30 August 2019

Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Position

Figures in Rand	Note(s)	2019	2018 Restated
Assets			
Current Assets			
Inventories	15	142 552 936	114 662 042
Receivables from Exchange Transactions	16	46 875 712	43 886 551
Receivables from Non-Exchange Transactions	17	160 835 660	143 488 044
VAT Receivable	8	18 324 306	15 253 229
Cash and Cash Equivalents	19	302 499 532	275 053 377
		671 088 145	592 343 243
Non-Current Assets			
Property, Plant and Equipment	9	1 905 022 946	1 879 548 818
Intangible Assets	10	3 939 304	4 765 798
Investment Property	11	167 459 683	243 983 157
Heritage Assets	12	21 658 026	21 673 474
Receivables from Exchange Transactions	14	8 350	11 089
		2 098 088 309	2 149 982 336
Total Assets		2 769 176 454	2 742 325 578
Liabilities			
Current Liabilities			
Consumer Deposits	3	19 402 120	15 400 252
Provisions	4	3 222 607	2 743 444
Retirement Benefit Obligation	5	2 775 385	2 635 378
Trade and Other Payables	6	176 186 321	164 856 135
Unspent Conditional Grants and Receipts	7	63 588 648	53 391 026
Current Portion of Long-term Loans	2	623 121	579 003
		265 798 203	239 605 238
Non-Current Liabilities			
Long-term Loans	2	5 543 149	6 166 271
Provisions	4	73 260 821	59 549 363
Retirement Benefit Obligation	5	50 551 806	25 543 310
		129 355 776	91 258 944
Total Liabilities		395 153 979	330 864 182
Net Assets		2 374 022 476	2 411 461 396
Net Assets			
Municipal Housing Operating Account	1	33 066 347	30 406 499
Accumulated Surplus		2 340 956 129	2 381 054 897
Total Net Assets		2 374 022 476	2 411 461 396

Alfred Duma Local Municipality

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Annual Financial Statements for the financial year 30 June 2019

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated
Revenue			
Revenue from non-exchange transactions			
Property Rates	20	166 742 687	174 536 032
Property Rates - Penalties Imposed	21	22 592 524	18 726 756
Fines	22	14 621 070	9 920 670
Licences and Permits	23	5 689 463	5 544 282
Government Grants and Subsidies	24	298 995 116	282 786 253
Total revenue from non-exchange transactions		508 640 860	491 513 992
Revenue from exchange transactions			
Service Charges	25	364 499 183	338 570 474
Rental of Facilities and Equipment	26	2 426 680	2 979 758
Interest Received - External Investments and Other	27	14 788 169	15 234 058
Interest Received - Outstanding Receivables	28	6 346 843	4 647 466
Other Income	29	4 341 883	3 696 156
Total revenue from exchange transactions		392 402 757	365 127 912
Total Revenue		901 043 617	856 641 905
Expenditure			
Employee Related Costs	30	293 443 341	265 021 550
Remuneration of Councillors	31	25 362 870	24 350 926
Bad Debts / Impairment	32	70 683 943	43 583 753
Depreciation and Amortisation Expense	33	118 236 986	123 845 259
Finance Costs	34	471 616	513 446
Bulk Purchases	35	231 730 332	208 831 186
Contracted Services	36	47 881 741	37 448 912
General Expenses	37	151 794 440	143 746 574
Total Expenditure		939 605 270	847 341 606
Operating Surplus / (Deficit)		-38 561 652	9 300 299
Other Gains / Losses			
Gain / (Loss) on sale/disposal of assets		-1 183 851	-6 964 036
Gain / (Loss) on fair value adjustment		9 095 180	92 301 000
Gain / (Loss) on actuarial valuations		-5 318 194	1 667 716
Inventories: (Write-down) / reversal to net realisable value		-2 694 836	273 983
(Impairment Loss) / Reversal of impairment loss		-2 671 166	486 076
Surplus / (Deficit) for the period		-41 334 520	97 065 039

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Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets

Figures in Rand	Municipal Housing Operating Account (ex HDF)	Accumulated Surplus	Total Net Assets
Balance at 1 July 2017	28 274 142	2 298 716 973	2 326 991 115
Adjustments to Opening Balance			
- VAT Receivable	-	-333 709	-333 709
- Non-Current Receivables from Exchange Transactions	-	-1 930	-1 930
- Cash and Cash Equivalents	-	787 445	787 445
- Trade and Other Payables	-	-11 112 307	-11 112 307
- Receivables from Non-Exchange Transactions (Traffic Fines)	-	-14 237 449	-14 237 449
- Investment Property	-	-31 434 857	-31 434 857
- Property, Plant and Equipment - Land	-	78 792 032	78 792 032
- Property, Plant and Equipment - Infrastructure	-	-113 751 470	-113 751 470
- Property, Plant and Equipment - Community	-	-121 855	-121 855
- Property, Plant and Equipment - Other	-	1 923 924	1 923 924
- Heritage Assets	-	3 002 977	3 002 977
- Inventories - Unsold properties and assets held for resale	-	72 079 588	72 079 588
- Inventories - Inventory Assets	-	-489 457	-489 457
Opening Balance - Restated at 1 July 2017	28 274 142	2 283 819 904	2 312 094 047
Surplus for the year	-	97 065 039	97 065 039
Transfer to Self-Insurance Fund	-	169 953	169 953
Transfer to Housing Development Fund	2 132 357	-	2 132 357
Balance at 1 July 2018	30 406 499	2 381 054 896	2 411 461 395
Surplus for the year	-	-41 334 520	-41 334 520
Transfer to Self-Insurance Fund	-	1 235 754	1 235 754
Transfer to Municipal Housing Operating Account (ex HDF)	2 659 847	-	2 659 847
Balance at 30 June 2019	33 066 347	2 340 956 130	2 374 022 477

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Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated
Cash flows from operating activities			
Receipts			
Sale of goods and services		492 592 328	459 541 453
Grants		370 359 350	328 666 601
Interest Received - External Investments and Other		14 788 169	15 236 453
Interest Received - Outstanding Receivables		2 898 778	1 997 640
Other receipts		4 341 883	5 363 872
		<u>884 980 508</u>	<u>810 806 019</u>
Payments			
Employee costs		-321 365 670	-283 290 354
Suppliers		-447 801 404	-434 259 276
Interest paid		-471 616	-513 446
		<u>-769 638 690</u>	<u>-718 063 077</u>
Net cash flows from operating activities	38	<u>115 341 818</u>	<u>92 742 942</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-89 982 383	-79 996 198
Purchase of intangible assets		-94 000	-151 499
Proceeds from disposal of assets		2 759 723	
Net cash flows from investing activities		<u>-87 316 660</u>	<u>-80 147 697</u>
Cash flows from financing activities			
Loans Repaid		-579 003	-537 172
Net cash flows from financing activities		<u>-579 003</u>	<u>-537 172</u>
Net increase / (decrease) in cash and cash equivalents		27 446 155	12 058 073
Cash and cash equivalents at the beginning of the year		275 053 377	262 995 304
Cash and cash equivalents at the end of the year	19	<u>302 499 532</u>	<u>275 053 377</u>

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved Budget	Budget Adjustments (i.t.o. s28 & s31 of the MFMA)	Virements (i.t.o. Council Approved Policy)	Approved Final Budget	Actual	Variance Actual vs Final Budget	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
Financial Performance								
Property Rates	188 797 798	-15 963 586	-	172 834 212	166 742 667	-6 091 525	88.32%	96.48%
Property Rates - Penalties / Interest	19 736 160	2 488 165	-	22 224 325	22 592 524	368 199	114.47%	101.66%
Services Charges	352 476 936	18 101 954	-	370 578 890	364 499 183	-6 079 707	103.41%	98.36%
Rental of Facilities and Equipment	3 182 448	-804 434	-	2 378 014	2 426 680	48 666	76.25%	102.05%
Interest Earned - External Investments	12 520 896	146 164	-	12 667 060	14 788 169	2 121 109	118.11%	116.75%
Interest Earned - Outstanding Receivables	4 560 912	1 425 428	-	5 986 340	6 346 843	360 503	139.16%	106.02%
Fines	11 814 180	-1 227 794	-	10 586 386	14 621 070	4 034 684	123.76%	138.11%
Licences and Permits	5 438 664	-27 881	-	5 410 783	5 689 463	278 680	104.61%	105.15%
Transfers and Grants Recognised - Operational	229 308 000	-1 544 000	-	227 764 000	231 960 383	4 196 383	101.16%	101.84%
Other Income and Profit on Fair Value Adjustments	3 142 325	411 958	-	3 554 283	13 437 063	9 882 780	427.62%	378.05%
Total Revenue (Excl. Capital Transfers & Contributions)	830 978 319	3 005 974	-	833 984 293	843 104 084	9 119 771	101.46%	101.09%
Employee Related Costs	332 550 919	3 632 031	-	336 182 950	293 443 341	-42 739 609	88.24%	87.29%
Remuneration of Councillors	26 460 396	-	-	26 460 396	25 362 870	-1 097 526	95.85%	95.85%
Bad Debts / Impairment	56 950 285	2 164 362	-	59 114 647	70 883 943	11 569 296	124.12%	119.57%
Depreciation and Amortisation Expense	184 046 428	-12 901 458	-	171 144 970	118 236 986	-52 907 984	64.24%	69.09%
Finance Costs	580 007	-105 648	-	474 359	471 616	-2 743	81.31%	99.42%
Bulk Purchases	226 880 969	16 180 737	-	243 061 706	231 730 332	-11 331 374	102.14%	95.34%
Contracted Services	13 381 700	38 833 155	-	52 214 855	47 881 741	-4 333 114	357.82%	91.70%
Impairment Loss	2 843 100	-527 048	-	2 316 052	2 671 166	355 114	93.95%	115.33%
Loss on Disposal of PPE	-	-	-	-	1 183 851	1 183 851	0.00%	0.00%
Loss on actuarial valuations	-	-	-	-	5 318 194	5 318 194	0.00%	0.00%
Inventories: (Write-down) / reversal to net realisable value	-	-	-	-	2 694 836	2 694 836	0.00%	0.00%
Other Expenditure	150 439 738	3 154 021	-	153 593 759	151 794 440	-1 799 319	100.90%	98.83%
Total Expenditure	994 133 542	60 430 152	-	1 044 563 694	951 473 317	-93 090 377	95.71%	91.09%
Surplus/(Deficit)	-163 155 223	-47 424 178	-	-210 579 401	-108 369 252	102 210 149	66.42%	51.46%
Transfers Recognised - Capital	91 986 996	-	-	79 586 000	67 034 733	-12 551 267	72.87%	84.23%
Contributions Recognised - Capital	-	-	-	-	-	-	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	-71 168 227	-47 424 178	-	-130 993 401	-41 334 520	89 658 881	58.08%	31.65%
Capital Expenditure and Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	91 986 996	-	-	79 586 000	67 034 733	-12 551 267	72.87%	84.23%
Internally Generated Funds	35 859 863	-	-	30 588 586	22 947 650	-7 620 936	63.99%	75.07%
Total Sources of Capital Funds	127 846 859	-	-	110 154 586	89 982 383	-20 172 203	70.38%	81.69%

Alfred Duma Local Municipality

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2019

Accounting Policies

1. Presentation of Annual Financial Statements

1.1 Basis of Presentation

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.2 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 Going Concern Assumption

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 Comparative Information

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of Comparison of Budget with Actual Information.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, with the opening balances have been restated accordingly.

2. Municipal Housing Operating Account (ex HDF)

The Municipal Housing Operating Account (ex Housing Development Fund) was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. Internal Reserves

Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services, taking into account, claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

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Financial Statements for the financial year ended 30 June 2019

Accounting Policies

3. Internal Reserves (Continued)

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

4. Property, Plant and Equipment

4.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 Subsequent Measurement – Cost Model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

Accounting Policies

4. Property, Plant and Equipment (Continued)

4.3 Depreciation and Impairment

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives: -

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Roads and Paving	40 - 50	Buildings	50
Servitudes	Indefinite	Specialised Vehicles	3 - 20
Electricity	10 - 50	Other Vehicles	5 - 20
Landfill Sites	15	Office Equipment	3 - 10
Stormwater	100	Furniture and Fittings	3 - 10
Bridges	60	Computer Equipment	3 - 10
Gravel Roads	10	Servitudes	Perpetual
Street Furniture	3 - 20	Containers	8 - 10
Community		Specialised Plant and Equipment	5 - 15
Buildings	50	Other Items of Plant and Equipment	3 - 20
Recreational Facilities	15 - 50		
Heritage	Indefinite		

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. Investment Property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- * use in the production or supply of goods or services or for
- * administrative purposes, or
- * sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Accounting Policies

5. Investment Property (Continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement. Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 Fair Value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. Intangible Assets

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Accounting Policies

6. Intangible Assets (Continued)

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 – 10 years
Other Software	Indefinite

7. Heritage Assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

7.1 Initial Recognition

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition.

7.2 Subsequent Measurement

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

7.3 Depreciation and Impairment

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

7.4 Derecognition

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

Accounting Policies

8. Impairment of Assets

8.1 Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

8.2 Non-Cash Generating Assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

Accounting Policies

8. Impairment of Assets (Continued)

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

9. Inventories

9.1 Initial Recognition

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

9.2 Subsequent Measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

10. Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

10.1 Initial Recognition

Financial instruments are initially recognised at fair value.

10.2 Subsequent Measurement

Financial assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

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Accounting Policies

10. Financial Instruments (Continued)

10.2.1 Investments

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2.2 Trade and Other Receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

10.2.3 Trade Payables and Borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

10.2.4 Cash and Cash Equivalents

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

11. Unauthorised Expenditure

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance in the year that the expenditure was incurred and the expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

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12. Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. Fruitless and Wasteful Expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance in the year that the expenditure was incurred and the expenditure classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. Provisions

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15. Leases

Operating Leases – The Municipality as Lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

16. Revenue

16.1 Revenue from Exchange Transactions

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

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Accounting Policies

16. Revenue (Continued)

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

16.2 Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

16.3 Grants, Transfers and Donations

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or

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Accounting Policies

16. Revenue (Continued)

donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position.

17. Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

18. Employee Retirement Benefits

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

Actuarial valuations are conducted on an annual basis by independent actuaries.

19. Key Sources of Estimation, Uncertainty and Judgements

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures, use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

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Accounting Policies

19. Key Sources of Estimation, Uncertainty and Judgements (Continued)

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

Post-Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 5 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 9 and 15 respectively.

20. Related Parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered related parties.

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions. Key management

personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

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Accounting Policies

21. Commitments

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

22. Budget Information

A municipality is typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorizing legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 1 July 2018 to 30 June 2019.

The annual financial statements and the budget are on the same basis of accounting and therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of Comparison of Budget and Actual Amounts.

Comparative information is not required.

23. Events After Reporting Date

Events after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorized for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

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Notes to the Financial Statements

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1. Municipal Housing Operating Account (ex HDF)

Unappropriated Surplus/(Deficit)	-14 058 155	-16 718 003
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	33 066 347	30 406 499

The Municipal Housing Operating Account is represented by the following assets and liabilities:

Housing selling scheme loans	2 649 865	2 649 865
Bank and cash	30 416 482	27 756 635
	33 066 347	30 406 499

2. Long-term Loans

Loans	6 166 271	6 745 273
Less : Current portion transferred to current liabilities	-623 121	-579 003
	5 543 149	6 166 271

Refer to Appendix A for more detail on long-term loans

3. Consumer Deposits

Electricity	13 706 342	10 112 325
Refuse	5 695 779	5 287 928
	19 402 120	15 400 252

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 8 278 205 (30 June 2018: R 7 139 425)

4. Provisions

Non-Current

4.1 Environmental Rehabilitation

Ladysmith Waste Disposal Site

Balance at beginning of period	47 117 323	36 248 893
Contribution to provision	11 534 877	10 868 429
	58 652 200	47 117 323

Indaka Waste Disposal Site

Balance at beginning of period	4 199 834	9 139 176
Change in provision	-1 069 898	-4 939 342
	3 129 936	4 199 834
	61 782 136	51 317 157

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate the landfill sites used for waste disposal. It is calculated as the present value of the future obligation discounted at a rate over the remaining useful life. The Municipality will incur R 61 782 136, calculated as at 30 June 2019, (30 June 2018: R 51 317 157) to restore the sites at the end of their respective useful life.

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4. Provisions (Continued)

Current

4.2 Performance Bonuses

Balance at beginning of period	1 357 666	700 141
Contribution to provision	755 234	657 524
Expenditure incurred	-607 361	-
	1 505 538	1 357 666

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council.

4.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 5 years to 45 years of service, inclusive.

As at 30 June 2019, 807 (30 June 2018: 813) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
5	2.0%	5 / 250 x Annual Salary
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets	13 195 754	9 617 985
Accrued Liability	13 195 754	9 617 985
Unfunded Accrued Liability	-	-
Unrecognised Transitional Liability	-	-
Unrecognised Actuarial Gains/(Losses)	-	-
Unrecognised Past Service Cost	13 195 754	9 617 985
Net Liability in Statement of Financial Position		

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	9 617 985	8 464 580
Current service cost	945 823	872 937
Interest cost	758 939	689 721
Actual benefits paid	-1 828 884	-564 012
Actuarial loss / (gain)	3 701 891	154 759
Closing Balance	13 195 754	9 617 985
Current Portion of Liability	1 717 069	1 385 778
Non-Current Portion of Liability	11 478 685	8 232 207
	13 195 754	9 617 985

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	945 823	872 937
Interest cost	758 939	689 721
Actuarial loss / (gain) recognised	3 701 891	154 759
Total included in Statement of Financial Performance	5 406 653	1 717 417

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4. Provisions (Continued)

Statistical information used to calculate the valuation is based on assumptions as at 30 June 2019.

Key Financial Assumptions Used

30 June 2019

Assumption	Value p.a.
Discount rate	8.20%
General salary inflation rate (long-term)	5.58%
Net effective discount rate	2.48%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

The liability-weighted average term of the total liability is 7.35 years.

30 June 2018

Assumption	Value p.a.
Discount rate	8.49%
General salary inflation rate (long-term)	6.11%
Net effective discount rate	2.24%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

The liability-weighted average term of the total liability is 6.46 years.

Key Demographic Assumptions Used

30 June 2019

Average retirement age	62
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>59	0%	0%

30 June 2018

Average retirement age	60
Mortality during employment	SA 85 - 90

Withdrawal from service (sample annual rates)

Age Band	Males	Females
20	16%	24%
25	16%	24%
30	12%	18%
35	10%	15%
40	8%	10%
45	6%	6%
50	4%	4%
55	2%	2%
>59	0%	0%

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4. Provisions (Continued)

Sensitivity Analysis

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2020

Assumption	Change	Liability	% Change
Central assumptions		13.196	
General salary inflation rate	+1%	14.093	7%
	-1%	12.388	-6%
Discount rate	+1%	12.352	-6%
	-1%	14.150	7%
Average retirement age	-2 yrs	11.873	-10%
	+2 yrs	14.266	8%
Withdrawal rates	-50%	15.371	16%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 344 100	R1 013 000	R2 357 100	
General salary inflation rate	+1%	R1 467 000	R1 086 600	R2 553 600	8%
	-1%	R1 235 100	R946 800	R2 181 900	-7%
Discount rate	+1%	R1 243 000	R1 059 100	R2 302 100	-2%
	-1%	R1 459 700	R958 100	R2 417 800	3%
Average retirement age	-2 yrs	R1 239 400	R908 300	R2 147 700	-9%
	+2 yrs	R1 438 900	R1 100 800	R2 539 700	8%
Withdrawal rates	-50%	R1 678 000	R1 191 400	R2 869 400	22%

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2019

Assumption	Change	Liability	% Change
Central assumptions		9.618	
General salary inflation rate	+1%	10.181	6%
	-1%	9.105	-5%
Discount rate	+1%	9.076	-6%
	-1%	10.224	6%
Average retirement age	-2 yrs	8.502	-12%
	+2 yrs	10.878	13%
Withdrawal rates	-50%	11.796	23%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R945 800	R758 900	R1 704 700	
General salary inflation rate	+1%	R1 022 500	R806 700	R1 829 200	7%
	-1%	R877 100	R715 400	R1 592 500	-7%
Discount rate	+1%	R882 300	R797 000	R1 679 300	-1%
	-1%	R1 017 700	R714 900	R1 732 600	2%
Average retirement age	-2 yrs	R851 800	R668 900	R1 520 700	-11%
	+2 yrs	R1 042 100	R863 800	R1 905 900	12%
Withdrawal rates	-50%	R1 307 100	R943 800	R2 250 900	32%

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4. Provisions (Continued)

Trend Information

30 June 2019

	Year Ending 30/06/2019	Year Ending 30/06/2020	Year Ending 30/06/2021
Opening Accrued Liability	R9 617 985	R13 195 754	R13 835 793
Current-service cost	R945 823	R1 344 069	R1 454 283
Interest cost	R758 939	R1 013 039	R1 072 496
Benefits vesting	-R1 828 884	-R1 717 069	-R1 543 555
Total Annual Expense	-R124 122	R640 039	R983 224
Actuarial Loss / (Gain)	R3 701 891		
Closing Accrued Liability	R13 195 754	R13 835 793	R14 819 017

The Municipality expects to pay R 1 717 069 for long-service leave benefits in the 2019/2020 financial year.

The valuation as at 30 June 2019 was performed by ARCH Actuarial Consulting CC.

ARCH Actuarial Consulting CC is not affiliated to the Municipality.

The full actuarial valuation report as at 30 June 2019 is available on request.

30 June 2018

	Year Ending 30/06/2018	Year Ending 30/06/2019	Year Ending 30/06/2020
Opening Accrued Liability	R8 464 580	R9 617 985	R9 936 969
Current-service cost	R872 937	R945 823	R1 026 123
Interest cost	R689 721	R758 939	R782 114
Benefits vesting	-R564 012	-R1 385 778	-R1 479 712
Total Annual Expense	R998 646	R318 984	R328 525
Actuarial Loss / (Gain)	R154 759		
Closing Accrued Liability	R9 617 985	R9 936 969	R10 265 494

The Municipality expects to pay R 1 385 778 for long-service leave benefits in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC.

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The full actuarial valuation report as at 30 June 2018 is available on request.

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5. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several accredited medical schemes most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the accredited medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 50% of the contribution payable should they be a member of a medical scheme at retirement, subject to the following conditions:

- Total service of at least ten years at retirement.
- Membership of a Municipality-accredited medical aid scheme for the majority of their total service (i.e. more than half of their service by retirement).

Continuation members and their eligible dependents receive either a 50%, 60% or a 66.7% subsidy.

A revised post-employment medical aid subsidy policy was adopted by the Municipality on 27 September 2018, whereby all employees are entitled to this benefit (subject to meeting the conditions described above).

The previous policy, that was rescinded, included the following provisions:

Eligible employees received a post-employment subsidy of 60% of the contribution payable if they were a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

A subsidy of 50% for those in-service members who were aged between 50 and 55 on 1 January 2005, would be provided. Other in-service members did not qualify for the post-employment subsidy.

If an employee chose to take early retirement, he or she must have been at least 55 years of age at the time of retirement and have had at least 25 continuous years' service, provided they were eligible as at 1 January 2005, as indicated above.

The total in-service employees belonging to Medical Schemes as at 30 June 2019 were 282 (30 June 2018: 2, qualified on previous policy) and the total continuation (retiree and widow) receiving the medical benefit as at 30 June 2019 were 67 (30 June 2018: 67). In-service employees that are non-members of a Medical Scheme totalled 525 as at 30 June 2019.

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	53 327 191	28 178 688
Fair value of plan assets	-	-
Unrecognised Past Service cost	-	-
Unrecognised actuarial (gains)/losses	-	-
Liability Recognised in Balance Sheet	<u>53 327 191</u>	<u>28 178 688</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	28 178 688	29 897 013
Current service cost	-	-
Interest cost	2 436 195	2 563 793
Actual benefits paid	-2 583 211	-2 459 643
Actuarial loss / (gain) (30 June 2019 includes a Past-Service Cost for the revised benefit policy)	25 295 518	-1 822 475
Closing Balance	<u>53 327 191</u>	<u>28 178 688</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	-	-
Interest cost	2 436 195	2 563 793
Actuarial loss / (gain) recognised	25 295 518	-1 822 475
Total included in Statement of Financial Performance	<u>27 731 713</u>	<u>741 318</u>
Current Portion of Liability	2 775 385	2 635 378
Non-Current Portion of Liability	50 551 806	25 543 310
	<u>53 327 191</u>	<u>28 178 688</u>

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5. Retirement Benefit Obligations (Continued)

Statistical information used to calculate the valuation is based on assumptions as at 30 June 2019.

Key Financial Assumptions Used

30 June 2019

Assumption	Value p.a.
Discount rate	9.23%
Health care cost inflation rate	6.74%
Net discount rate - health care cost inflation	2.33%
Maximum subsidy inflation rate	4.68%
Net discount rate - maximum subsidy inflation	4.38%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 28 June 2019.

30 June 2018

Assumption	Value p.a.
Discount rate	9.06%
Health care cost inflation rate	7.09%
Net discount rate - health care cost inflation	1.84%
Maximum subsidy inflation rate	4.94%
Net discount rate - maximum subsidy inflation	3.92%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

Key Demographic Assumptions Used

30 June 2019

Assumption	Value
Average retirement age	62
Continuation of membership at retirement	75%
Proportion with a spouse dependent at retirement	60%
Proportion of in-service non-members joining a scheme by retirement and continuing with the subsidy thereafter	15%
Mortality during employment	SA 85 - 90 PA(90) -1 with a 1% mortality improvement p.a. from 2010
Mortality post-retirement	

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>55	0%	0%

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5. Retirement Benefit Obligations (Continued)

30 June 2018

Assumption	Value
Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>59	0%	0%

Sensitivity Analysis on the Accrued Liability (R Millions)

30 June 2019

Assumption	Change	In-service	Continuation	Total	% Change
Central assumptions		23.799	29.528	53.327	
Health care inflation rate	+1%	26.710	30.793	57.503	8%
	-1%	20.615	27.921	48.535	-9%
Discount rate	+1%	19.842	27.186	47.028	-12%
	-1%	28.939	32.270	61.208	15%
Post-employment mortality	-1 yr	24.427	30.571	54.998	3%
Average retirement age	-1 yr	24.664	29.528	54.192	2%
Continuation of membership at retirement	-10%	19.688	29.528	49.216	-8%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 8% higher than that shown.

Sensitivity Analysis on Current Service and Interest Costs for the year ending 30 June 2020

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R1 785 100	R4 796 800	R6 581 900	
Health care inflation rate	+1%	R2 028 300	R5 181 700	R7 210 000	10%
	-1%	R1 511 000	R4 355 200	R5 866 200	-11%
Discount rate	+1%	R1 446 800	R4 672 500	R6 119 300	-7%
	-1%	R2 235 400	R4 925 500	R7 160 900	9%
Post-employment mortality	-1 yr	R1 831 700	R4 951 100	R6 782 800	3%
Average retirement age	-1 yr	R1 804 700	R4 876 600	R6 681 300	2%
Continuation of membership at retirement	-10%	R1 331 200	R4 417 300	R5 748 500	-13%

	Year ending 30/06/2019	Year ending 30/06/2020	Year ending 30/06/2021
Opening Accrued Liability	R28 178 688	R53 327 191	R57 133 715
Current-service cost	R0	R1 785 067	R1 949 829
Interest cost	R2 436 195	R4 796 842	R5 139 742
Contributions (benefits paid)	-R2 583 211	-R2 775 385	-R2 962 446
Total Annual Expense	-R147 016	R3 806 524	R4 127 125
Past-service Cost	R23 679 215		
Actuarial Loss / (Gain)	R1 616 304		
Closing Accrued Liability	R53 327 191	R57 133 715	R61 260 840

The Municipality expects to pay R 2 775 385 i.t.o. its post-employment medical aid subsidy in the 2019/2020 financial year.

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5. Retirement Benefit Obligations (Continued)

The valuation as at 30 June 2019 was performed by ARCH Actuarial Consulting CC.

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The full actuarial valuation report as at 30 June 2019 is available on request.

30 June 2018

Assumption	Change	In-service	Continuation	Total	% Change
Central assumptions		1.809	26.369	28.179	
Health care inflation rate	+1%	1.907	27.463	29.370	4%
	-1%	1.689	25.031	26.720	-5%
Discount rate	+1%	1.644	24.429	26.073	-7%
	-1%	2.003	28.612	30.616	9%
Post-employment mortality	-1 yr	1.862	27.377	29.239	4%

The post-employment mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.

Sensitivity Analysis on Interest Costs for the year ending 30 June 2019

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R0	R2 436 200	R2 436 200	
Health care inflation rate	+1%	R0	R2 543 500	R2 543 500	4%
	-1%	R0	R2 304 600	R2 304 600	-5%
Discount rate	+1%	R0	R2 493 600	R2 493 600	2%
	-1%	R0	R2 363 500	R2 363 500	-3%
Post-employment mortality	-1 yr	R0	R2 532 300	R2 532 300	4%
Average retirement age	-1 yr	R0	R2 436 200	R2 436 200	0%
Continuation of membership at retirement	-10%	R0	R2 400 900	R2 400 900	-1%

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability	R29 897 013	R28 178 688	R27 979 505
Current-service Cost	R0	R0	R0
Interest Cost	R2 563 793	R2 436 195	R2 409 868
Expected Contributions (benefits paid)	-R2 459 643	-R2 635 378	-R2 822 226
Total Annual Expense	R104 150	-R199 183	-R412 358
Actuarial Loss / (Gain)	-R1 822 475		
Closing Accrued Liability	R28 178 688	R27 979 505	R27 567 147

The Municipality expects to pay R 2 635 378 i.t.o. its post-employment medical aid subsidy in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC.

ARCH Actuarial Consulting CC is not affiliated to the Municipality.

The full actuarial valuation report as at 30 June 2018 is available on request.

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6. Trade and Other Payables

Trade Creditors	67 329 278	75 388 689
Retentions	24 925 548	25 771 588
Unidentified Deposits in Primary Bank Account	5 657 215	4 278 800
Deposits : Other	2 877 972	2 511 153
Other Creditors	14 811 229	12 109 691
Employee Benefits / Accruals	25 447 511	24 035 934
Payments Received in Advance i.r.o. Service Debtors	35 137 568	20 760 281
	176 186 321	164 856 135

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, where applicable, except retentions that are usually settled after 12 months. Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial and risk management.

7. Unspent Conditional Grants and Receipts

Municipal Infrastructure Grant	10 015 751	
Department of Human Settlement	40 992 084	44 240 623
Integrated National Electrification Programme	6 494 320	-
Housing Accreditation	2 086 713	4 470 445
Sports Facilities Grant	760 308	246 329
Municipal Systems Improvement Grant	575 975	-
Ladysmith Black Mambazo	-	2 905 461
Nodal Development Plan	950 100	-
Scheme Support Program Grant	-	720 560
Eradication of the Bucket System (Ex Indaka LM)	671 219	671 219
Spatial Development Framework Grant	950 100	-
Waste Recycling Plant / Logistics Hub	92 079	136 389
	63 588 648	53 391 026

8. VAT Receivable

18 324 306

15 253 229

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

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9. Property, Plant and Equipment

30 June 2019

Reconciliation of Carrying Value

Carrying values at 30 June 2018

	Infrastructure	Community	Other	Land	Total
Cost	2 298 554 207	418 312 725	247 903 624	374 160 202	3 338 930 757
Capital under Construction	36 179 238	22 668 657	-	-	58 847 894
Accumulated impairment	-21 968 437	-5 703 338	-52 163	-	-27 723 938
Accumulated depreciation	-1 123 800 953	-208 504 936	-158 200 008	-	-1 490 505 896
Acquisitions	46 087 086	8 141 350	13 144 920	9 000	67 382 357
Capital under Construction	3 260 908	15 703 912	5 987 515	-	24 952 335
Depreciation	-90 505 127	-12 114 623	-14 696 742	-	-117 316 493
Impairment	481 044	-1 955 936	15 446	-	-1 459 446
Carrying value of disposals / transfers	-3 394 869	-10 313	-945 008	56 265 564	51 915 375
Cost/revaluation	-6 566 912	-14 901	-3 676 824	56 265 564	46 006 927
Accumulated impairment	-	-	-	-	-
Accumulated depreciation	3 172 043	4 589	2 731 816	-	5 908 448

Carrying values at 30 June 2019

	Infrastructure	Community	Other	Land	Total
Cost	2 338 074 381	426 439 174	257 371 720	430 434 766	3 452 320 041
Capital under Construction	39 440 146	38 372 568	5 987 515	-	83 800 229
Accumulated impairment	-21 487 393	-7 659 274	-36 717	-	-29 183 383
Accumulated depreciation	-1 211 134 037	-220 614 970	-170 164 934	-	-1 601 913 940

30 June 2018

Reconciliation of Carrying Value

Carrying values at 30 June 2017

	Infrastructure	Community	Other	Land	Total
Cost	2 268 879 851	408 143 988	250 189 418	380 412 013	3 307 625 270
Capital under Construction	2 591 008	26 070 090	-	-	28 661 097
Accumulated impairment	-22 610 177	-5 721 166	-1 537 087	-	-29 868 430
Accumulated depreciation	-1 051 772 286	-190 796 807	-136 263 048	-	-1 378 832 140
Acquisitions	31 915 757	10 304 526	13 680 986	-	55 901 269
Capital under Construction	33 588 230	-3 401 433	-	-	30 186 797
Depreciation	-73 243 523	-17 826 090	-31 757 868	-	-122 827 482
Impairment	641 740	17 828	1 484 924	-	2 144 492
Carrying value of disposals / transfers	-1 026 545	-17 828	-6 145 872	-6 251 811	-13 442 055
Cost/revaluation	-2 241 401	-135 789	-15 966 781	-6 251 811	-24 595 782
Accumulated impairment	-	-	-	-	-
Accumulated depreciation	1 214 856	117 961	9 820 909	-	11 153 727

Carrying values at 30 June 2018

	Infrastructure	Community	Other	Land	Total
Cost	2 298 554 207	418 312 725	247 903 623	374 160 202	3 338 930 757
Capital under Construction	36 179 238	22 668 657	-	-	58 847 894
Accumulated impairment	-21 968 437	-5 703 338	-52 163	-	-27 723 938
Accumulated depreciation	-1 123 800 953	-208 504 935	-158 200 007	-	-1 490 505 895

Refer to Appendix B for more detail on property, plant and equipment.

Physical verification and valuation

Assets were physically verified during the 2018/2019 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.

Capital Under Construction

There are currently 26 projects and items listed as Capital Under Construction as at 30 June 2019, however the 2 projects listed below are delayed or taking longer than expected to complete:

- Construction of the Ezakheni Sports Complex : Amount disclosed in PPE - R 16 194 104
This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.

- Emnambithi Indoor Sports Complex : Amount disclosed in PPE - R 5 115 727
This is a longer term project and the planning and study phase of this project has been completed.

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in the Statement of Financial Performance

Amount paid to service providers - Contracted Services	16 870 769	5 169 457
Materials used from inventory - General Expenses - Consumable Stores	19 887 271	15 081 455
Employee costs - Remuneration of Employees	41 275 400	37 980 552
Transport costs - General Expenses	16 191 083	22 452 420
	94 224 523	80 683 884

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10. Intangible Assets

30 June 2019

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 869 693	94 000	-	-	6 963 693
Total	6 911 316	94 000	-	-	7 005 316
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-2 145 518	-920 494	-	-	-3 066 011
Total	-2 145 518	-920 494	-	-	-3 066 011
Carrying Value	4 765 798	-826 494	-	-	3 939 304

30 June 2018

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 360 694	508 999	-	-	6 869 693
Total	6 402 317	508 999	-	-	6 911 316
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-1 127 742	-1 017 776	-	-	-2 145 518
Total	-1 127 742	-1 017 776	-	-	-2 145 518
Carrying Value	5 274 576	491 223	-	-	5 765 799

Intangible assets disclosed relate to computer software and to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as infrastructure costs.

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11. Investment Property

30 June 2019

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	243 983 157	-	9 099 742	-85 623 216	167 459 683
Total	243 983 157	-	9 099 742	-85 623 216	167 459 683
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	243 983 157	-	9 099 742	-85 623 216	167 459 683

30 June 2018

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	154 290 036	-	92 301 000	-2 607 879	243 983 157
Total	154 290 036	-	92 301 000	-2 607 879	243 983 157
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	154 290 036	-	92 301 000	-2 607 879	243 983 157

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 167 459 683. Investment properties have been valued in accordance with the municipal valuation roll and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2019. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Investment Property was rented / leased during the period and rental income of was recognised and disclosed in the Statement of Financial Performance, Rental of facilities and equipment.

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period.

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12. Heritage Assets

30 June 2019

	Opening Balance	Additions	Disposals / Impairment	Transfers	Total
Cost					
Buildings	16 716 600	-	-	-	16 716 600
Other	4 956 874	-	-15 448	-	4 941 426
Total	21 673 474	-	-15 448	-	21 658 026
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	21 673 474	-	-15 448	-	21 658 026

30 June 2018

	Opening Balance	Additions	Disposals / Impairment	Transfers	Total
Cost					
Buildings	16 716 600	-	-	-	16 716 600
Other	4 956 874	-	-	-	4 956 874
Total	21 673 474	-	-	-	21 673 474
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	21 673 474	-	-	-	21 673 474

The Municipality accounts for Heritage Assets under GRAP 103.

The cost model is used for all heritage assets in terms of measurement.

Where the inability exists to determine the fair value reliably, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, heritage assets shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses. The Municipality has certain movable heritage assets measured at R1 so as to confirm existence and rights, and in their nature bear no material impact on the materiality of valuation as there is no market for these items.

These assets were assessed for impairment during the 2018/2019 financial year.

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13. Self-Insurance Fund

Opening balance	13 620 312	13 450 360
Contributions / Interest	1 771 107	958 273
Insurance Claims processed	-535 353	-788 321
	<u>14 856 066</u>	<u>13 620 312</u>

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

14. Non-current Receivables from Exchange Transactions

State Housing Selling Schemes	8 350	11 089
	<u>8 350</u>	<u>11 089</u>

15. Inventories

Unsold properties and assets held for resale	123 810 310	97 879 740
Consumable Stores	16 939 222	16 011 812
Inventory Assets	1 803 404	770 490
	<u>142 552 936</u>	<u>114 662 042</u>

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16. Trade and Other Receivables from Exchange Transactions

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2019			
Electricity	49 807 446	-14 897 132	34 910 314
Refuse	52 041 332	-40 235 061	11 806 270
Housing Debtors	2 630 154	-2 471 026	159 128
	104 478 931	-57 603 220	46 875 712

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2018			
Electricity	42 455 625	-9 323 530	33 132 095
Refuse	42 407 335	-31 769 997	10 637 338
Housing Debtors	2 069 020	-1 951 902	117 118
	86 931 980	-43 045 429	43 886 551

Electricity : Ageing		
Current (0 - 30 days)	27 889 483	27 437 042
31 - 60 Days	4 523 199	3 498 883
61 - 90 Days	2 298 896	1 410 225
91 - 120 Days	2 234 400	815 311
121+ Days	12 861 469	9 294 165
	49 807 446	42 455 625

Refuse : Ageing		
Current (0 - 30 days)	5 078	-1 212
31 - 60 Days	1 652 451	3 647 288
61 - 90 Days	1 442 506	2 151 393
91 - 120 Days	1 389 578	1 398 472
121+ Days	47 551 719	35 211 394
	52 041 332	42 407 335

Housing : Ageing		
Current (0 - 30 days)	33 189	30 237
31 - 60 Days	31 780	28 037
61 - 90 Days	30 500	27 517
91 - 120 Days	30 369	27 367
121+ Days	2 504 317	1 955 861
	2 630 154	2 069 020

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16. Trade and Other Receivables from Exchange Transactions (Continued)

Reconciliation of the doubtful debt provision

Balance at beginning of the period	43 045 429	32 725 930
Contributions to provision	19 904 803	11 352 389
Doubtful debts written off against provision	-5 347 012	-1 032 890
	<u>57 603 220</u>	<u>43 045 429</u>

Trade and other receivables from exchange transactions impaired

As of 30 June 2019, trade and other receivables of R 104 478 931 (30 June 2018: R 86 931 979) were impaired and provided for. The amount of the provision was R 57 603 220 as at 30 June 2019 (30 June 2018: R 43 045 429).

The ageing of these receivables is as follows:

31 - 60 Days	4 670 966	5 193 174
61 - 90 Days	2 838 280	2 598 057
91 - 120 Days	2 749 822	1 622 296
121+ Days	47 344 152	33 631 902
	<u>57 603 220</u>	<u>43 045 429</u>

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable.

Evaluation of impairment includes all debt passed 30 days, and considers past and current payment trends.

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17. Other Receivables from Non-Exchange Transactions

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2019			
Property Rates	243 959 497	-131 880 418	112 079 078
Vat Service Debtors	13 837 465	-	13 837 465
Legal Fees - Debtors	475 466	-365 141	110 324
Credit Control Costs - Debtors	115 016	-69 149	45 867
Traffic Fines	41 553 770	-26 725 999	14 827 771
Receivables - Penalties / Interest	57 760 323	-41 468 039	16 292 285
Sundry Debtors	8 139 321	-4 496 452	3 642 869
	365 840 858	-205 005 198	160 835 660

	Gross Balances	Provision for Bad Debts	Net Balance
As at 30 June 2018			
Property Rates	221 112 565	-123 564 333	97 548 232
Vat Service Debtors	11 320 126	-	11 320 126
Legal Fees - Debtors	459 575	-352 478	107 097
Credit Control Costs - Debtors	131 603	-52 601	79 002
Traffic Fines	52 997 478	-33 580 349	19 417 129
Receivables - Penalties / Interest	35 380 679	-25 441 111	9 939 568
Sundry Debtors	8 328 357	-3 251 467	5 076 891
	329 730 382	-186 242 338	143 488 044

Rates : Ageing

Current (0 - 30 days)	30 234	162 533
31 - 60 Days	8 605 396	8 513 178
61 - 90 Days	5 374 990	10 925 789
91 - 120 Days	4 764 119	6 065 716
121+ Days	225 184 758	195 445 349
	243 959 497	221 112 565

Reconciliation of the doubtful debt provision

Balance at beginning of the year	186 242 338	156 466 113
Contributions to provision	50 779 140	32 231 364
Doubtful debts written off against provision	-32 016 280	-2 455 138
	205 005 198	186 242 338

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2019, trade and other receivables of R 352 003 393 (30 June 2018: R 318 410 257) were impaired and provided for. The amount of the provision was R 205 005 198 as at 30 June 2019. (30 June 2018: R 186 242 338)

The ageing of these receivables is as follows:

31 - 60 Days	7 231 327	7 170 620
61 - 90 Days	4 516 737	9 202 753
91 - 120 Days	4 003 407	5 109 131
121+ Days	189 236 849	164 759 833
	204 988 320	186 242 338

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated at financial year end for impairment.

A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment trends, where applicable.

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18. Investments

Short-Term Investments

- ABSA

- Investec

- Nedbank

- Standard Bank

-	20 118 027
20 157 411	40 544 586
20 157 830	-
-	20 117 945
40 315 241	80 780 558

19. Cash and Cash Equivalents

The Municipality has the following call deposit bank accounts :-

General Call Account

ABSA Bank - Public Sector Banking

Account Number 9207051716

Bank statement balance at end of period

79 699 095	33 810 470
------------	------------

Department of Housing Grants Call Account

ABSA Bank - Public Sector Banking

Account Number 9207052314

Bank statement balance at end of period

42 047 518	45 561 671
------------	------------

Grant Funds Call Account

ABSA Bank - Public Sector Banking

Account Number 9207054081

Bank statement balance at end of period

50 901 500	69 903 111
------------	------------

Ladysmith Black Mambazo Call Account

ABSA Bank - Public Sector Banking

Account Number 9236410696

Bank statement balance at end of period

2 004 740	2 836 880
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Self-Insurance Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9251267674

Bank statement balance at end of period

13 813 732	13 620 312
------------	------------

Housing Operating Call Account

ABSA Bank - Public Sector Banking

Account Number 9274469611

Bank statement balance at end of period

33 066 347	30 406 499
------------	------------

Housing Capacity Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9285122301

Bank statement balance at end of period

4 850 541	2 598 275
-----------	-----------

226 383 472	198 737 218
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The Municipality has the following primary bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking

Account Number 4071756088

Cash book balance at beginning of period

Cash book balance at end of period

-4 464 399	6 155 304
------------	-----------

35 800 818	-4 464 399
------------	------------

Bank statement balance at beginning of period

Bank statement balance at end of period

36 536 224	30 463 901
------------	------------

42 526 947	36 536 224
------------	------------

Cash and cash equivalents consist of:

Short-term Investments

Call deposits

Bank balance and cash

40 315 241	80 780 558
------------	------------

226 383 472	198 737 218
-------------	-------------

35 800 818	-4 464 399
------------	------------

302 499 532	275 053 377
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Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

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20. Property Rates

Actual		
Residential	74 385 663	76 414 911
Industrial / Commercial / Business	42 972 755	51 402 424
Agriculture	3 913 538	4 615 282
Vacant Land	22 978 372	18 883 748
State	24 760 961	25 313 905
	<u>169 011 290</u>	<u>176 630 271</u>
Less: Revenue Foregone	-2 268 603	-2 094 239
Total Assessment Rates	166 742 687	174 536 032

	R'000	R'000
Valuations		
Residential & Bed and Breakfast	9 571 996	9 860 371
Industrial / Commercial / Business	2 393 503	2 666 401
Agriculture	555 753	1 668 258
Public Service Infrastructure	13 334	12 249
Vacant Land	495 084	710 195
Municipal Domestic	615 200	657 074
State	1 049 337	1 007 426
Non Profit Organisations	114 901	107 619
Religious	138 673	122 131
Municipal Vacant Land	2 168	2 307
Public Open Spaces	3 510	2 487
Other	115 539	367 954
Total Property Valuations	16 068 998	17 184 472

Valuation on land and buildings is performed every four years. The last valuation came into effect on 1 July 2017.

Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.01207	R 100 000
Commercial / Business	R 0.02116	R -
Industrial	R 0.01361	R -
Agriculture	R 0.00293	R -
Vacant Land	R 0.04355	R -
State / Public Service	R 0.02663	R -

Rates are levied on a monthly basis on property owners with the final date of payment been 30 June 2019.

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21. Property Rates - Penalties

Penalties Charged on Property Rates Receivables	22 592 524	18 726 756
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22. Fines

Included in fines are the following:

Traffic Fines	14 411 050	10 738 479
Library Fines	13 252	19 699
Other Fines	196 767	-837 508
	<u>14 621 070</u>	<u>9 920 670</u>

23. Licences and Permits

Included in licences and permits are the following:

Vehicle Licence and Registration - Fees	2 734 342	2 534 491
Drivers Licence Certificates	1 789 428	1 815 920
Learners Licence Certificates	675 688	722 192
Licencing : Other Fees and Documents	406 558	396 199
Trade Licences	83 448	75 480
	<u>5 689 463</u>	<u>5 544 282</u>

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24. Government Grants and Subsidies

Development, Planning and Shared Services Grant		400 000
Equitable Share	206 663 000	189 993 252
Expanded Public Works Programme (EPWP)	4 319 000	3 347 000
Financial Management Grant (FMG)	3 600 000	3 600 000
Housing Accreditation	4 134 660	223 325
Infrastructure Skills Development Grant	1 800 000	-
Ladysmith Airport	-	2 000 000
Ladysmith Black Mambazo	3 052 740	-
Learnship Management Skills Program (CATHSETA)	226 251	-
Municipal Demarcation Transition Grant (MDTG)	-	8 280 000
Municipal Infrastructure Grant (MIG)	59 930 249	62 749 000
Municipal Systems Improvement Grant (MSIG)	479 025	-
Museum Subsidy	192 000	183 000
Nodal Development Plan	49 900	-
Promulgation of Municipal By-Laws	-	200 000
Provincialisation of Libraries	5 028 000	4 198 000
Recapitalisation of Libraries	1 370 000	776 000
Record Management Systems	-	200 000
Scheme Support Program Grant	720 560	279 440
Small Business Development	-	4 987 198
Spatial Development Framework Grant	49 900	-
Sports Facilities Grant	7 335 521	943 171
Waste Recycling Plant / Logistics Hub	44 310	426 867
	298 995 116	282 786 253

The Municipality received INEP funding for Electrification Projects which are in the Eskom serviced areas. The grant utilised in the amount of R 8 103 681 as at 30 June 2019 (30 June 2018: R 15 000 000) is not recognised in the Statement of Financial Performance, as the projects are carried out on behalf of Eskom.

The Municipality received Housing Funds for Low Cost Housing Projects and Title Deeds Transfers. The grant is not recognised in the Statement of Financial Performance, as these projects are carried out on behalf of the Department of Human Settlement.

24.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All residents may apply for indigency in terms of the Municipality's Indigent Policy.

For the 2017/2018 financial year, the amount transferred was R 237 748 less than the allocation gazetted. National Treasury was consulted as the amount was incorrectly withheld in terms of the prior year opening balance that was regarded as unspent in terms of the FMG and EPWP Grants. The amount was actually advance spending in terms of these grants prior to the establishment of the Alfred Duma Local Municipality.

24.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of period	69 946 000	62 749 000
Current year receipts	-59 930 249	-62 749 000
Conditions met - transferred to revenue (Other)		
Conditions still to be met - transferred to liabilities	10 015 751	-

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

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24. Government Grants and Subsidies (Continued)

24.3 Department of Human Settlement

Balance unspent at beginning of period	44 240 623	14 471 297
Current year receipts	49 814 392	32 369 002
Conditions met	-53 062 931	-2 599 675
Conditions still to be met - transferred to liabilities	40 992 084	44 240 623

This grant is utilised to construct houses and transfer Title Deeds as part of Low Cost Housing Projects. The grant utilised in the amount of R 53 062 931 as at 30 June 2019 (30 June 2018: R 2 599 675) is not transferred to revenue, as the projects are carried out on behalf of the Department of Human Settlement.

24.4 Museum subsidy

Balance unspent at beginning of period	-	-
Current year receipts	192 000	183 000
Conditions met - transferred to revenue	-192 000	-183 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenses incurred solely for the Museums. No funds have been withheld.

24.5 Financial Management Grant (FMG)

Balance unspent at beginning of period	-	-
Current year receipts	3 600 000	3 600 000
Conditions met - transferred to revenue	-3 600 000	-3 600 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training. No funds have been withheld.

24.6 Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of period	-	8 280 000
Current year receipts	-	-8 280 000
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for processes and systems required for the merger of the two former municipalities. No funds have been withheld.

24.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of period	14 598 000	15 000 000
Current year receipts	-8 103 681	-15 000 000
Conditions met	6 494 320	-
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for electricity connections to households in various areas. The grant utilised in the amount of R 8 103 681 as at 30 June 2019 (30 June 2018: R 15 000 000) is not transferred to revenue, as the projects are carried out on behalf of Eskom. No funds have been withheld.

24.8 Expanded Public Works Programme Grant (EPWP)

Balance unspent at beginning of period	-	-
Current year receipts	4 319 000	3 347 000
Conditions met - transferred to revenue	-4 319 000	-3 347 000
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment. This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development. No funds have been withheld.

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24. Government Grants and Subsidies (Continued)

24.9 Housing Accreditation

Balance unspent at beginning of period	4 470 445	2 838 520
Current year receipts	1 750 927	1 855 251
Conditions met - transferred to revenue	-4 134 660	-223 325
Conditions still to be met - transferred to liabilities	<u>2 086 713</u>	<u>4 470 445</u>

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas. No funds have been withheld.

24.10 Provincialisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	5 028 000	4 198 000
Conditions met - transferred to revenue	-5 028 000	-4 198 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised to subsidise expenditure and upgrading of Libraries. No funds have been withheld.

24.11 Recapitalisation of Libraries

Balance unspent at beginning of period	-	-
Current year receipts	1 370 000	776 000
Conditions met - transferred to revenue	-1 370 000	-776 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised for the remuneration of Cyber Cadets in Libraries. No funds have been withheld.

24.12 Small Business Development Grant

Balance unspent at beginning of period	-	-
Current year receipts	-	4 987 198
Conditions met - transferred to revenue	-	-4 987 198
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant was utilised for assisting in Shared Economic Infrastructure Facilities in terms of LED.

24.13 Sports Facilities Grant

Balance unspent at beginning of period	246 329	-
Current year receipts	7 849 500	1 189 500
Conditions met - transferred to revenue	-7 335 521	-943 171
Conditions still to be met - transferred to liabilities	<u>760 308</u>	<u>246 329</u>

This grant is utilised in the upgrading and maintaining of sports facilities. No funds have been withheld.

24.14 Infrastructure Skills Development Grant

Balance unspent at beginning of period	-	-
Current year receipts	1 800 000	-
Conditions met - transferred to revenue	-1 800 000	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised for the skilling of Interns in the areas of Engineering and Town Planning. No funds have been withheld.

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24. Government Grants and Subsidies (Continued)

24.15 Municipal Systems Improvement Grant

Balance unspent at beginning of period	-	-
Current year receipts	1 055 000	-
Conditions met - transferred to revenue	-479 025	-
Conditions still to be met - transferred to liabilities	<u>575 975</u>	<u>-</u>

This grant is utilised to assist the Municipality in transitional matters that arose from the municipal boundary redetermination. No funds have been withheld.

24.16 Ladysmith Black Mambazo

Balance unspent at beginning of period	2 905 461	2 766 062
Current year receipts (interest)	147 279	139 399
Conditions met - transferred to revenue	-3 052 740	-
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>2 905 461</u>

This grant is utilised for the Establishment of the Ladysmith Black Mambazo Music Academy.

24.17 Scheme Support Program Grant

Balance unspent at beginning of period	720 560	-
Current year receipts	-	1 000 000
Conditions met - transferred to revenue	-720 560	-279 440
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>720 560</u>

This grant is utilised for the Development a Single Land Use Scheme for the Municipality.

24.18 Record Management Systems

Balance unspent at beginning of period	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	-200 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised for the Consolidation and Migration of Records for the newly established Municipality.

24.19 Development, Planning and Shared Services

Balance unspent at beginning of period	-	-
Current year receipts	-	400 000
Conditions met - transferred to revenue	-	-400 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised for support in preparing the Integrated Development Plan (IDP) for the Municipality.

24.20 Ladysmith Airport

Balance unspent at beginning of period	-	-
Current year receipts	-	2 000 000
Conditions met - transferred to revenue	-	-2 000 000
Conditions still to be met - transferred to liabilities	<u>-</u>	<u>-</u>

This grant is utilised for the Upgrading of the Ladysmith Airport

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24. Government Grants and Subsidies (Continued)

24.21 Promulgation of Municipal By-Laws

Balance unspent at beginning of period	-	-
Current year receipts	-	200 000
Conditions met - transferred to revenue	-	-200 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for assistance in the Promulgation of Municipal By-Laws after the Establishment of the Alfred Duma Local Municipality.

24.24 Spatial Development Framework Grant

Balance unspent at beginning of period	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	-49 900	-
Conditions still to be met - transferred to liabilities	950 100	-

This grant is utilised to assist the Municipality in developing a legally compliant Spatial Development Framework.

24.23 Nodal Development Plan

Balance unspent at beginning of period	-	-
Current year receipts	1 000 000	-
Conditions met - transferred to revenue	-49 900	-
Conditions still to be met - transferred to liabilities	950 100	-

This grant is for the preparation of the Ladysmith Aerodrome Nodal Development Plan.

24.24 Learnership Management Skills Program (CATHSETA)

Balance unspent at beginning of period	-	-
Current year receipts	226 251	-
Conditions met - transferred to revenue	-226 251	-
Conditions still to be met - transferred to liabilities	-	-

This grant is for the preparation of the Ladysmith Aerodrome Nodal Development Plan.

24.24 Waste Recycling Plant / Logistics Hub

Balance unspent at beginning of period	136 389	563 256
Current year receipts	-	-
Conditions met - transferred to revenue	-44 310	-426 867
Conditions still to be met - transferred to liabilities	92 079	136 389

This grant is for the Establishment of a Waste Recycling Plant in the Municipal area.

24.26 Eradication of the Bucket System (Ex Indaka LM)

Balance unspent at beginning of period	671 219	671 219
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
Conditions still to be met - transferred to liabilities	671 219	671 219

This grant was allocated to the previous Indaka Local Municipality.

24.27 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

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25. Service Charges

Electricity	338 127 631	313 454 789
Refuse removal	26 371 552	25 115 685
	<u>364 499 183</u>	<u>338 570 474</u>

Payment Services for Pre-Paid Vending of Electricity (R 3 206 180: 30 June 2018) previously disclosed under Note 25, is now disclosed under Note 36, Contracted Services.

26. Rental of Facilities and Equipment

Hiring of community halls, sports facilities and other facilities	507 358	561 930
Rent on Housing Facilities	379 099	389 791
Lease of Land	1 540 223	2 028 037
	<u>2 426 680</u>	<u>2 979 758</u>

27. Interest Received - External Investments and Other

Bank Accounts and Call Accounts	10 272 612	11 519 830
Short-Term Investments	4 515 558	3 714 228
	<u>14 788 169</u>	<u>15 234 058</u>

28. Interest Received - Outstanding Receivables

Electricity	1 655 439	1 352 191
Refuse	4 691 404	3 295 275
	<u>6 346 843</u>	<u>4 647 466</u>

29. Other Income

Included in other income are the following:

Fees : Brigade Service	206 028	176 213
Fees : Building Plans	534 994	537 410
Fees : Burial	186 385	183 572
Fees : Sewerage Plans	-	-412
Fees : Photocopies	139 586	152 252
Legal Fees	26 784	19 117
Rates Clearance Certificates	320 655	240 203
Reconnection Fees : Non Payment	837 801	335 618
Sale of Plots - Cemetery	97 621	78 898
Sale of Livestock	36 170	97 375
Sale of Tender Documents	-	341 735
Sundries & Other	1 955 860	1 534 175
	<u>4 341 883</u>	<u>3 696 156</u>

Actuarial Gain (30 June 2018: R 1 667 716) is now disclosed under Other Gains / Losses in the Statement of Financial Performance, in terms of reclassification of revenue and expenditure.

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30. Employee Related Costs

Salaries and Allowances	194 679 625	177 103 337
Contributions for UIF, SDL, pensions, medical aids, group life and bargaining council	38 397 679	35 877 382
Travel allowances	15 865 941	14 786 593
Housing benefits and other allowances	2 018 295	2 254 159
Overtime & standby payments	9 298 969	9 208 657
Job Creation	33 182 831	25 791 423
	293 443 341	265 021 550

SARS - Skills Development Levy (30 June 2018: R 2 135 205) and Ward Committees Expenses (30 June 2018: R 3 854 314) previously disclosed as General Expenses under Note 37 are now disclosed as Employee Related Costs, in terms of reclassification of expenses.

There were no advances or loans made to employees.

Remuneration of the Municipal Manager : Ms S S Ngiba

Salary	1 699 911	1 359 409
Allowance - Subsistence & Travelling	-	20 597
Performance Bonus	-	-
	1 699 911	1 380 006

Ms S S Ngiba was appointed in the post of Municipal Manager on 1 September 2017.

Remuneration of the Municipal Manager : Mr M P Khathide

Salary	-	323 904
Performance Bonus	106 667	-
	106 667	323 904

Mr M P Khathide's contract ended on 10 August 2017.

Remuneration of the Chief Financial Officer : Mr M Hloba

Salary	1 389 917	1 456 990
Allowance - Subsistence & Travelling	-	22 283
Performance Bonus	99 523	-
	1 489 440	1 479 273

Remuneration of the Executive Director: Corporate Services : Mrs P Mntaka

Salary	1 390 642	769 546
Performance Bonus	-	-
	1 390 642	769 546

Mrs P Mntaka was appointed in the post of Executive Director: Corporate Services on 1 December 2017.

Remuneration of the Executive Director: Corporate Services : Ms S S Ngiba

Salary	-	398 154
Allowance - Subsistence & Travelling	-	6 647
Performance Bonus	92 658	-
	92 658	404 800

Ms S S Ngiba was appointed to the post of Municipal Manager on 1 September 2017.

Remuneration of the Executive Director: Community Services : Mr P B B Simelane

Salary	1 411 998	1 388 078
Allowance - Subsistence & Travelling	-	7 432
Performance Bonus	109 995	-
	1 521 993	1 395 509

Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr S A Mazibuko

Salary	1 028 127	487 772
Performance Bonus	-	-
	1 028 127	487 772

Mr S A Mazibuko was appointed in the post of Executive Director: Development, Planning & Human Settlement on 1 January 2018.

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30. Employee Related Costs (Continued)

Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr P S Mkhize

Salary		640 249
Allowance - Subsistence & Travelling		8 269
Performance Bonus	98 996	-
	98 996	648 518

Mr P S Mkhize resigned as Executive Director: Development, Planning & Human Settlement on 31 October 2017.

Remuneration of the Executive Director: Public Works and Basic Services : Mr S O Hlatshwayo

Salary	911 201	1 331 857
Allowance - Subsistence & Travelling	15 566	18 346
Performance Bonus	99 523	-
	1 026 289	1 350 203

Mr S O Hlatshwayo was employed at the Municipality until 7 February 2019.

31. Remuneration of Councillors

Mayor	898 115	865 289
Deputy Mayor	726 650	700 389
Speaker	727 453	701 105
Chief Whip	746 823	601 730
MPAC Chairperson	666 493	642 428
EXCO Committee Members	2 780 623	2 698 991
Councillors	18 816 713	18 140 994
	25 362 870	24 350 926

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip and MPAC Chairperson are full-time employees of the Municipality. Each is provided with an office, secretarial support and security at the cost of the Municipality.

The Mayor, Deputy Mayor, Speaker and Chief Whip have the use of Council-owned vehicles for official duties.

The Mayor, Deputy Mayor and other Councillors have bodyguards at the cost of the Municipality.

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32. Bad Debts / Impairment

Property Rates and Other	51 298 265	32 545 311
Electricity	5 751 649	1 586 482
Refuse	13 634 030	9 451 960
	70 683 943	43 583 753

33. Depreciation and Amortisation Expense

Depreciation - Property, Plant and Equipment	117 316 493	122 827 483
Amortisation - Intangible Assets	920 494	1 017 776
	118 236 986	123 845 259

34. Finance Costs

Long-term liabilities	471 616	513 446
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35. Bulk Purchases

Electricity - Eskom	231 730 332	208 831 186
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	30 June 2019 KWh	30 June 2018 KWh		
Distribution Losses - Electricity				
Value of Purchases at Purchase Price	281 227 745	269 896 528	188 422 590	170 034 813
Less : Sales at Purchase Price	-247 378 357	-243 388 069	-165 743 500	-153 334 483
Total Losses	33 849 388	26 508 459	22 679 090	16 700 329
Technical Losses	14 061 387	13 494 826	9 421 129	8 501 740
Non-Technical Losses	19 788 001	13 013 633	13 257 961	8 198 589
Total Losses	33 849 388	26 508 459	22 679 090	16 700 329
Percentage of Total Loss	12.04%	9.82%	12.04%	9.82%

The value of loss is calculated using the bulk purchase price.

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36. Contracted Services

IT System and Support	4 758 539	2 705 715
Payment Services	4 004 725	3 769 950
Refuse Removal		664 501
Security Services	38 682 849	30 299 746
Other	435 628	9 000
	47 881 741	37 448 912

Payment Services for Pre-Paid Vending of Electricity (R 3 206 180: 30 June 2018) previously disclosed under Service Charges, Note 25, is now disclosed under Contracted Services.

37. General Expenses

Included in general expenses are the following:

Advertising	240 265	346 153
Audit Committee	203 870	312 099
Audit Fees	3 563 279	4 291 034
Bank Charges	1 122 857	1 390 807
Bulk Discounts	985 540	735 651
Conferences & Delegations	1 119 936	1 615 232
Consultants	4 885 274	11 694 353
Consumable Stores & Materials - Maintenance of Assets	15 765 229	12 938 610
Contractors - Maintenance of Assets	16 870 769	5 169 457
Electricity - Municipal Premises	4 246 624	4 330 563
Electricity - Streetlighting	5 900 530	4 817 839
Emergency Relief Fund	699 925	615 438
Entertainment Expenses	376 892	209 525
Events / Programmes	7 211 130	9 297 869
Funeral Assistance	97 739	123 263
Indigency - Electricity / Alternative Energy	9 334 437	8 761 557
Insurance	4 530 308	5 343 451
Integrated Development Plan	634 630	923 669
Interest Paid	6 927	103 945
Legal Expenses	2 238 436	1 864 342
Licence Fees	1 237 199	613 048
Local Economic Development	84 627	5 673 728
Materials & Sundries	1 132 340	1 052 458
Postage	2 001 930	2 319 969
Post-Retirement Benefits	26 115 410	2 563 793
Printing & Stationery	2 203 865	2 354 626
Protective Clothing	2 345 802	2 988 279
Publicity	17 801	831 737
Public Meetings	279 940	773 594
Refurbishment - NER Requirements	4 122 042	2 142 845
Rental - Office Machines	1 185 204	1 127 964
Subscriptions & Membership	3 266 063	2 992 843
Telephone & Cellphone Costs	3 916 746	4 100 657
Training Staff & Councillors	1 433 271	2 430 750
Valuation Roll Costs	-	1 143 560
Vehicle / Transport Costs	16 191 083	22 452 420
Water / Sanitation	3 714 588	3 003 248
Youth Development Programme	238 850	1 674 534
Other General Expenses	2 273 082	8 621 663
	151 794 440	143 746 574

SARS - Skills Development Levy, 30 June 2019: R 2 587 108 (30 June 2018: R 2 135 205) and Ward Committees Expenses, 30 June 2019: R 4 193 115 (30 June 2018: R 3 854 314) are now disclosed under Note 30, Employee Related Costs, in terms of reclassification of expenses.

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38. Cash Generated By Operations

Surplus/(Deficit) for the year	-41 334 520	97 065 039
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations	-61 319 312	1 611 275
Depreciation / Amortisation	118 236 986	123 845 259
(Profit)/Loss on disposal of assets	1 183 851	6 964 036
(Impairment Loss) / Reversal of impairment loss	2 671 166	-486 076
Contribution to long service awards provision	3 577 769	1 153 405
Contribution to performance bonus provision	147 872	657 524
Contribution to retirement benefit obligation	25 148 503	-1 718 325
Donated Assets to Community - Investment Property	-	760 000
Inventories: Write-down / Reversal to Net Realisable Value	2 694 836	-273 983
(Gain)/Loss on Actuarial Valuation	5 318 194	-1 667 716
(Gain)/Loss on fair value adjustment and impairment	-9 095 180	-92 301 000
Operating surplus before working capital changes:	47 230 167	135 609 437
(Increase)/decrease in inventories	62 091 489	918 935
(Increase)/decrease in exchange debtors	-2 989 161	-9 961 950
(Increase)/decrease in non-exchange debtors	-17 347 616	-42 401 854
(Increase)/decrease in non-current receivables	2 739	-
(Increase)/decrease in VAT Receivable	-3 071 077	848 438
(Decrease)/increase in self-insurance fund	1 235 754	169 953
(Decrease)/increase in housing development fund (MHOA)	2 659 847	2 132 357
(Decrease)/increase in unspent conditional grants and receipts	10 197 622	28 280 673
(Decrease)/increase in creditors	11 330 185	-27 574 835
(Decrease)/increase in deposits	4 001 868	4 721 789
	115 341 818	92 742 942

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39. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

39.1 Unauthorised Expenditure

Opening balance	16 612 386	125 196 084
Unauthorised expenditure current year	21 121 291	16 612 386
Approved by council or condoned	-16 612 386	-125 196 084
Unauthorised expenditure awaiting authorisation	<u>21 121 291</u>	<u>16 612 386</u>
Bad Debt / Impairment	11 569 296	
Loss on sale/disposal of assets	1 183 851	
Loss on actuarial valuations	5 318 194	
Inventories: (Write-down) to net realisable value	2 694 836	
Impairment Loss	355 114	
Contracted services	-	16 612 386
	<u>21 121 291</u>	<u>16 612 386</u>

39.2 Irregular Expenditure

Opening balance	183 978 859	168 481 279
Irregular expenditure current year	919 156	15 497 580
Written Off	-145 875 769	-
Irregular expenditure awaiting authorisation	<u>39 022 246</u>	<u>183 978 859</u>
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.	1 017 420	1 017 420
- Non-compliance with the PPPFA Regulation	2 873 102	2 873 102
- Persons in the service of the state	181 007 493	180 088 337
- Non-compliance with the SCM Regulations	-145 875 769	-
Written Off	<u>39 022 246</u>	<u>183 978 859</u>

All Irregular Expenditure has been reported to Council and to National Treasury. There are currently investigations taking place for Irregular Expenditure incurred, and the outcomes are awaited and will be reported to Council accordingly.

39.3 Fruitless and Wasteful Expenditure

Opening balance	6 999 565	6 898 520
Fruitless and Wasteful expenditure current year	6 927	101 045
Fruitless and Wasteful expenditure awaiting authorisation	<u>7 006 492</u>	<u>6 999 565</u>

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful Expenditure incurred in the current period of R 6 927, relates to interest charges on late payment of invoices to service providers: Telkom, Eskom and Department of Transport.

Investigations and Disciplinary Actions have been taken against employees during the 2018/2019 financial year related to Fruitless and Wasteful Expenditure. Outcomes are awaited in terms of recovery and will be reported accordingly.

An amount of R 2 726 was written off by Council on 25 July 2019, in respect of Fruitless and Wasteful Expenditure incurred during the 2018/2019 financial year.

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40. Additional Disclosures in Terms of Municipal Finance Management Act

40.1 Contributions to organised local government

Opening balance	704 927	-
Council subscriptions	3 218 522	2 989 907
Amount paid - current year	-3 218 522	-2 284 980
Amount paid - previous years	-704 927	-
Balance unpaid (included in creditors)	-	704 927

40.2 Audit Fees

Opening balance	-	-
Current year audit fee	4 097 770	4 927 097
Amount paid - current year	-4 097 770	-4 927 097
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

40.3 VAT

VAT returns have been submitted to SARS.

40.4 PAYE, SDL and UIF

Opening balance	-	-
Current year payroll deductions	40 677 314	35 254 634
Amount paid - current year	-40 677 314	-35 254 634
Amount paid - previous years	-	-
Balance unpaid (Included in creditors)	-	-

40.5 Pension and Medical Aid Deductions

Opening balance	-	-
Current year payroll deductions and Council Contributions	56 200 920	52 141 229
Amount paid - current year	-56 200 920	-52 141 229
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

40.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be ratified by the Municipal Manager and noted by Council.

Opening balance	5 882 725	5 882 725
Deviations - current year	2 638 975	11 133
Total amount condoned	-1 920 793	-11 133
Deviations awaiting authorisation	6 600 908	5 882 725

An amount of R 784 674 was further condoned by Council on 25 July 2019, in respect of Deviations for the 2018/2019 financial year.

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40. Additional Disclosures in Terms of Municipal Finance Management Act (Continued)

40.7 Transactions with Related Parties and Close Family Members

Related Parties

Mivusa Trading (Pty) Ltd	301 676	297 740
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, Mrs W Asmal, employed at the Alfred Duma Local Municipality.

Awards to close family members of persons in the service of the State

Harvey World Travel	176 512	35 573
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, Mr R S Zikode, employed at the Department of Trade and Industry.

Bhatimewu Trading Enterprise	44 531	54 400
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State, employed in the Department of Health.

Jubane Tires	111 763	69 029
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

Arch Actuarial Services	23 575	
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

Niphile Consulting Engineers	8 197 311	
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the State.

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41. Capital Commitments

41.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for

Infrastructure

Community

Other

- Approved and contracted for

Infrastructure

Community

Other

17 860 675

19 609 716

13 496 542

1 682 086

31 357 216

21 291 802

This expenditure will be financed from:

- External Loans

- Government Grants

- Own Resources

31 357 216

15 958 555

-

5 333 247

31 357 216

21 291 802

41.2 Operating leases - as lessor

Minimum lease payments due

Within one year

In the second to fifth year inclusive

After five years

† 181 499

845 679

2 622 721

953 293

1 769 861

1 235 499

5 574 080

3 034 471

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

42. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contributions plans. As these plans are multi-employer funds, the allocation of any surplus/deficit to individual municipalities cannot be determined.

Furthermore, disclosure of further details such as actuarial assumptions cannot be attributed to any specific municipality and is of no relevance to the users of the municipality's financial statements. As the required disclosure information cannot be obtained the funds are all treated as defined contribution plans.

An independent valuer carries out statutory valuations of the NJMPF on a triennial basis and an interim valuation on an annual basis.

Natal Joint Municipal Pension Fund (Superannuation)

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012, which is subject to change. The members' contributions are 9.25% of pensionable salary.

Natal Joint Municipal Pension Fund (Retirement)

The total rate of contribution by the municipality, including the surcharge, is 34,22% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012. The members' contributions are 7% of pensionable salary.

Natal Joint Municipal Provident Fund

The total rate of contribution by the municipality of pensionable salaries varies with 9,75%, 13,65% and 18,00% of pensionable salaries. This equates to 1.95 times the rate of the amount contributed by members whom can contribute 5%, 7% or 9.25%.

43. Councillor's Arrear Consumer Accounts

For the financial year ended 30 June 2019, there were no rates or services arrears owed by any councillor. Further, during the financial year there were no councillors which had arrear debt outstanding for more than 90 days.

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44. Related Parties

Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set out in Notes 30 and 31 respectively to the Annual Financial Statements.

45. Risk Management

Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

The municipality's finance function monitors and manages the financial risks relating to the operations of the municipality. These risks include liquidity risk, credit risk, market risk relating to interest rate risk.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality finance maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and monitored on a regular basis.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

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46. Contingencies

46.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation.

The State Attorney's Office is dealing with this matter.

Case No. 11653/2015

500 000

500 000

The Municipality was sued for damages involving a minor falling into a trench.

The Municipality is defending the claim and the matter has not been set down for trial as yet.

Case No. 9222/2010

985 000

985 000

The Municipality was sued for outstanding payments to a service provider.

The Municipality is defending the claim and the case is at discovery stage, and awaiting trial.

Case No. 6040/2015

1 900 000

1 900 000

The Municipality was sued for damages to property.

The Municipality has referred the claim to Council's insurers to resolve.

Case No. 628/2018

36 547

-

The Municipality was sued for outstanding payments to a service provider.

The Municipality is defending the claim and the matter has not been set down for trial as yet.

Case No. 491/2018

983 230

-

4 404 777

3 385 000

46.2 Contingent Assets

No contingent assets exist for the period ended 30 June 2019 (2018: R 0).

47. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2018 to 30 June 2019.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

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48. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment	1 905 022 946	1 879 548 818
Recoverable amounts of property, plant and equipment	61 782 136	51 317 157
Provision for rehabilitation of landfill site (discount rate, no. of years, amount of cash flows)	53 327 191	28 178 688
Present value of post retirement benefit obligation	13 195 754	9 617 985
Present value of long service awards	1 505 538	1 357 666
Provision for performance bonus	262 608 418	229 287 767
Provision for doubtful debts	2 671 166	-486 076
Impairment of assets	167 459 683	243 983 157
Investment property	123 810 310	97 879 740
Inventory assets held for sale		

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	2 671 166	-486 076
Provisions	325 896 092	281 962 590

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49. Correction of Error

During the year, the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Inventory held for sale, Investment Property, Intangible and Heritage Assets.

During this exercise the Municipality found assets that were incorrectly reflected / not reflected on the current registers, or disclosed incorrectly.

Adjustments were also made in respect of Trade and Other Payables, Receivables from Non-Exchange Transactions and Receivables from Exchange Transactions (Non-Current), Cash and Cash Equivalents and from VAT Receivable for errors identified on Trade Creditors and Traffic Fines respectively related to prior year opening balances.

The Municipality rectified these errors retrospectively.

The cumulative effect on the 2019 Opening Balances are as follows :

Statement of Financial Position

Inventories	71 590 131
Receivables from Non-Exchange Transactions	-14 237 449
Cash and Cash Equivalents	787 445
VAT Receivable	-333 709
Property, Plant and Equipment	-33 157 369
Investment Property	-31 434 857
Heritage Assets	3 002 977
Receivables from Exchange Transactions: Non-Current	-1 930
Trade and Other Payables	-11 112 307
Accumulated Surplus	14 897 068

The cumulative effect on the comparative amounts for 2019 are as follows :

Statement of Financial Position

Inventories	-1 147 000
Receivables from Exchange Transactions	3 304 776
Receivables from Non-Exchange Transactions	-1 369 584
Property, Plant and Equipment	45 689 966
Intangible Assets	357 785
Investment Property	-1 218 000
Heritage Assets	1 217 985
Receivables from Exchange Transactions : Non-Current	-2 395
Trade and Other Payables	-2 122 653

Statement of Financial Performance

Fines	-25 530
Service Charges	-6 510 955
Interest Received - External Investments and Other	2 395
Other Income	1 667 716
Employee Related Costs	5 989 518
Bad Debts / Impairment	1 395 114
Depreciation and Amortisation Expense	-45 527 454
Contracted Services	3 206 180
General Expenses	-4 387 145
Gain / (Loss) on sale/disposal of assets	1 147 000
Gain / (Loss) on actuarial valuations	-1 667 716

50. Events after the Reporting Date

No events after the reporting date 30 June 2019.

Alfred Duma Local Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2019 (Unaudited)

EXTERNAL LOANS	Balance at 1 July 2018	Received	Redeemed or Written Off	Balance at 30 June 2019
	R	R	R	R
LONG-TERM LOANS				
Absa Bank - Tsakane Electrification	3 807 767	-	360 144	3 447 623
DBSA - Indaka	2 937 506	-	218 859	2 718 647
TOTAL EXTERNAL LOANS	6 745 273	-	579 003	6 166 271

Alfred Duma Local Municipality
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2019 (Unaudited)

Asset Type	Cost			Capital Under Construction			Accumulated Depreciation			Impairment	
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions / Reversals	Carrying Value
Infrastructure	350 471 185	12 335 673	-8 452 293	356 354 565	3 105 548	-	-3 062 482	43 068	142 131 903	6 779 116	2 560 513
	1 714 125 982	23 175 573	1 737 301 535	1 737 301 535	32 212 040	14 931 349	-8 746 730	38 398 659	942 788 960	81 371 421	1 386 008
	9 031 857	110 862	-114 619	9 028 099	-	-	-	-	19 381 072	-	19 381 072
	51 317 157	10 464 979	-	61 782 136	861 649	138 771	-	1 000 421	26 852	893 461	3 054 931
	173 608 046	-	-	173 608 046	-	-	-	-	62 782 557	-	62 782 557
	2 298 554 207	46 087 066	-8 566 912	2 336 074 361	36 179 238	15 070 120	-11 809 212	39 440 146	21 968 437	-481 044	1 144 893 057
Community Assets											
	280 721 334	-	-	280 721 334	21 308 831	7 694 462	-	29 004 293	151 373 134	6 764 830	-
	137 591 391	8 141 350	-14 901	145 717 840	1 358 826	8 009 450	-	9 368 276	57 131 802	5 949 793	151 587 062
	418 312 725	8 141 350	-14 901	426 439 174	22 668 657	15 703 912	-	38 372 569	208 504 936	12 714 623	236 537 499
Other Assets											
	107 261 310	-	-	107 261 310	-	1 269 482	-	1 269 482	81 995 295	1 486 820	25 046 877
	22 872 505	794 773	-1 041 282	22 625 996	-	2 815 223	-	2 815 223	9 069 880	3 873 849	13 807
	15 875 598	151 983	-501 002	15 526 580	-	829 860	-	829 860	7 073 299	1 935 009	13 807
	81 039 332	12 178 507	-725 026	92 492 813	-	-	-	-	49 117 585	5 347 995	38 355
	20 854 878	19 656	-1 409 513	19 465 021	-	1 072 950	-	1 072 950	10 943 949	2 250 669	38 571 002
	247 903 624	13 144 920	-3 676 824	257 371 720	-	5 987 515	-	5 987 515	158 200 008	14 686 742	8 423 919
									52 163	-15 446	93 157 584
Land Assets											
	10 437 000	-	-	10 437 000	-	-	-	-	-	-	-
	363 723 202	9 000	56 265 564	419 997 766	-	-	-	-	-	-	10 437 000
	374 160 202	9 000	56 265 564	430 434 766	-	-	-	-	-	-	419 997 766
	3 338 930 757	67 382 357	46 006 927	3 452 320 041	58 647 894	36 761 547	-11 809 212	83 800 229	1 490 505 886	117 316 483	29 183 383
Total									27 723 938	1 459 446	1 905 022 946

Alfred Duma Local Municipality
APPENDIX C

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2019 (Unaudited)

REFER TO NOTE 47

Description By Nature	Budget		Budget Adjustments (i.e. s28 & s31 of the MFMA)		Virement (i.e. Council Approved Policy)		Approved Annual Budget		Actual		% Variance		Explanation of Significant Variances Actual versus Budget
	R		R		R		R		R		R		
Financial Performance													
Property Rates	168 797 798		(15 963 586)				172 834 212		166 742 687		96.48%		
Property Rates - Penalties & Collection Charges	19 736 160		2 488 185				22 224 325		22 592 524		101.66%		
Services Charges	352 476 936		18 101 964				370 578 890		364 499 183		98.36%		
Rental of Facilities and Equipment	3 182 448		(804 434)				2 378 014		2 426 680		102.05%		
Interest Earned - External Investments	12 520 896		146 164				12 667 060		14 788 169		116.75%		Surplus funds were invested or kept in call accounts to maximise interest returns
Interest Earned - Outstanding Debtors	4 560 912		1 425 428				5 986 340		6 346 843		106.02%		Increase in debtors balances resulted in increase in interest raised on accounts
Fines	11 814 180		(1 227 794)				10 586 386		14 621 070		138.11%		Public Safety officials had increased road safety awareness campaigns
Licences and Permits	5 438 664		(27 881)				5 410 783		5 689 463		105.15%		
Transfers and Grants Recognised - Operational	229 308 000		(1 544 000)				227 764 000		231 960 383		101.84%		
Other Income and Profit on Fair Value Adjustments	3 142 325		411 958				3 554 283		13 437 063		378.05%		Fair value adjustments on Investment Properties where valuation of properties increased
Total Revenue (Excl. Capital Transfers & Contributions)	830 978 319		3 005 974		-		833 984 293		843 104 064		101.09%		Expected Job Evaluation Implementation and upward Grading of the Municipality were budgeted for, however it was not implemented during the financial year
Employee Related Costs	332 550 919		3 632 031				336 182 950		293 443 341		87.29%		
Remuneration of Councillors	26 460 396						26 460 396		25 362 870		95.85%		
Bad Debts / Impairment	56 950 285		2 164 362				59 114 647		70 683 943		119.57%		Increase in receivables and write-off of debtors for the 2018/2019 financial year increased the contribution to bad debt
Depreciation and Amortisation Expense	184 046 428		(12 901 458)				171 144 970		118 236 986		69.09%		Changes in the estimated useful lives of assets has reduced the depreciation charges
Finance Costs	580 007		(105 648)				474 359		471 616		99.42%		
Bulk Purchases	226 880 969		16 180 737				243 061 706		231 730 332		95.34%		
Contracted Services	13 381 700		38 833 155				52 214 855		47 881 741		91.70%		
Impairment Loss	2 843 100		(527 048)				2 316 052		2 671 166		115.33%		Impairment of Assets is an unforeseen expense
Loss on Disposal of PPE									1 183 851		0.00%		
Loss on actuarial valuations									5 318 194		0.00%		
Inventories: (Write-down) / reversal to net realisable value									2 694 836		0.00%		
Other Expenditure	150 439 738		3 154 021				153 593 759		151 784 440		98.83%		
Total Expenditure	994 133 542		50 430 162		-		1 044 563 694		951 473 317		91.09%		
Surplus/(Deficit)	(163 155 223)		(47 424 178)		-		(210 579 401)		(108 369 252)		51.45%		
Transfers Recognised - Capital	91 986 996						79 586 000		67 034 733		84.23%		
Contributions Recognised - Capital											0.00%		
Surplus/(Deficit) After Capital Transfers & Contributions	(71 168 227)		(47 424 178)		-		(130 993 401)		(41 334 520)		31.55%		
Capital Expenditure and Funds Sources													
Capital Expenditure													
Transfers Recognised - Capital	91 986 996						79 586 000		67 034 733		84.23%		Unforeseen delays in projects were experienced due to the termination of certain service providers contracts
Internally Generated Funds	35 859 863						30 568 586		22 947 650		75.07%		Delays were experienced in finalising certain capital projects with regard to appeals during the SCM processes
Total Sources of Capital Funds	127 846 859		-		-		110 154 586		89 982 383		81.89%		

Alfred Duma Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Unaudited)

	Actual Revenue R	Actual Expenditure R	Surplus / (Deficit) R
Municipal Manager & Council	200 920 288	179 668 667	21 251 620
Corporate Services	270 272	16 055 187	-15 784 915
Community Services	105 145 250	222 718 356	-117 573 106
Finance	162 838 538	24 336 570	138 501 968
Infrastructure & Services	423 667 298	468 494 835	-44 827 537
Development, Planning & Human Settlement	9 596 744	29 726 426	-20 129 682
Total	902 438 389	941 000 042	-38 561 652
Adjusted For Other Gains / Losses			-2 772 867
			-41 334 520

Alfred Duma Local Municipality

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)

Name of Grants	Name of Organ of State	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
				Yes / No
		R	R	
Equitable Share	National Government	206 663 000	206 663 000	Yes
Expanded Public Works Programme	National Government	4 319 000	4 319 000	Yes
Housing Accreditation Funds	Dept of Human Settlement	1 750 927	4 134 660	Yes
Housing Projects	Dept of Human Settlement	49 814 392	53 062 931	Yes
Integrated National Electrification Programme	National Government	14 598 000	8 103 681	Yes
Ladysmith Black Mambazo	Dept of Economic Development	147 279	3 052 740	Yes
Learnership Management Skills Program	CATHSETA	226 251	226 251	Yes
Municipal Finance Management Grant	National Government	3 600 000	3 600 000	Yes
Municipal Infrastructure Grant	National Government	69 946 000	59 930 249	Yes
Municipal Systems Improvement Grant	National Government	1 055 000	479 025	Yes
Museum Subsidy	Dept of Arts & Culture	192 000	192 000	Yes
Provincialisation of Libraries	Dept of Arts & Culture	5 028 000	5 028 000	Yes
Recapitalisation of Libraries	Dept of Arts & Culture	1 370 000	1 370 000	Yes
Scheme Support Grant (LUMS)	COGTA	-	720 560	Yes
Sports Facilities	Department of Sport & Recreation	7 849 500	7 335 521	Yes
Infrastructure Skills Development Grant	National Government	1 800 000	1 800 000	Yes
Waste Recycling Centre / Logistics Hub	COGTA	-	44 310	Yes
Nodal Development Grant	COGTA	1 000 000	49 900	Yes
Spatial Planning Grant	COGTA	1 000 000	49 900	Yes
		370 359 350	360 161 728	